

AMENDED IN ASSEMBLY JANUARY 25, 2010

AMENDED IN ASSEMBLY APRIL 23, 2009

CALIFORNIA LEGISLATURE—2009–10 REGULAR SESSION

## ASSEMBLY BILL

**No. 551**

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**Introduced by Assembly Member Furutani  
(Principal coauthor: Assembly Member Blakeslee)**

February 25, 2009

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~~An act to add Section 97.24 to the Revenue and Taxation Code, relating to education funding, and making an appropriation therefor.~~

### LEGISLATIVE COUNSEL'S DIGEST

AB 551, as amended, Furutani. Community colleges: ~~property tax revenues; funding study.~~

*The California Constitution requires the state to apply a minimum amount of funding for each fiscal year for the support of school districts and community college districts. The amount of that minimum funding obligation is required to be determined pursuant to one of three tests, depending on specified factors.*

*Existing law requires the Board of Governors of the California Community Colleges, in calculating each community college district's revenue level for each fiscal year, to subtract, among other things, local property tax revenue specified by law for general operating support, exclusive of bond interest and redemption, from the total revenues owed.*

*This bill would require the Legislative Analyst's Office to conduct a study, by July 1, 2011, that calculates the amount of General Fund and property tax revenues allocated to California Community Colleges for the 1989–90 to 2009–10 fiscal years, inclusive. The bill would require*

*the study to analyze which form of revenue provides the most stable funding source for California Community Colleges.*

~~Existing property tax law requires the county auditor, in each fiscal year, to allocate property tax revenue to local jurisdictions in accordance with specified formulas and procedures, and generally requires that each jurisdiction be allocated an amount equal to the total of the amount of revenue allocated to that jurisdiction in the prior fiscal year, subject to certain modifications, and that jurisdiction's portion of the annual tax increment, as defined. Existing property tax law also reduces the amounts of ad valorem property tax revenue that would otherwise be annually allocated to the county, cities, and special districts pursuant to these general allocation requirements by requiring, for purposes of determining property tax revenue allocations in each county for the 1992-93 and 1993-94 fiscal years, that the amounts of property tax revenue deemed allocated in the prior fiscal year to the county, cities, and special districts be reduced in accordance with certain formulas. It requires that the revenues not allocated to the county, cities, and special districts as a result of these reductions be transferred to the Educational Revenue Augmentation Fund (ERAF) in that county for allocation to school districts, community college districts, and the county office of education.~~

~~Existing law defines an excess tax school entity as an educational agency for which the amount of the state funding entitlement determined under certain provisions of existing law is zero.~~

~~This bill, commencing with the 2009-10 fiscal year, would reduce the amount of property tax revenue allocated to each community college district, except districts meeting the criteria of an excess tax school entity, as defined, by 25% and require those revenues to be deposited instead in the county ERAF for allocation to school districts and county offices of education.~~

~~The bill would also require districts meeting the criteria of an excess tax school entity to decide whether to retain its current distribution of property tax revenues or participate in the distribution of property tax revenues provided by this bill.~~

Vote: majority. Appropriation: *yes-no*. Fiscal committee: *yes no*. State-mandated local program: *no*.

*The people of the State of California do enact as follows:*

1     *SECTION 1. The Legislature finds and declares all of the*  
2     *following:*

3     *(a) California Community Colleges have historically been*  
4     *funded primarily by local property taxes. Since the adoption of a*  
5     *series of reforms, many community college districts are now funded*  
6     *by a diverse mix of local property tax revenues and General Fund*  
7     *dollars.*

8     *(b) Due to instability in the housing market, the property tax*  
9     *revenues provided by the counties to the community college*  
10    *districts inevitably differ from the budget estimates provided by*  
11    *the Department of Finance. No automatic funding adjustment*  
12    *mechanism exists for community college districts.*

13    *(c) If property tax revenues fall short of Department of Finance*  
14    *estimates, community college districts must address the impact of*  
15    *the shortfall in the middle of the academic year.*

16    *(d) The uncertainty of community college funding severely*  
17    *cripples the ability of community college districts to plan*  
18    *accordingly to meet the educational demands of the community.*  
19    *Mid-fiscal year adjustments to community college district budgets*  
20    *significantly impact community college students, which may result*  
21    *in lower retention levels and lengthier waits for a degree or*  
22    *certification.*

23    *(e) The uncertainty of community college funding also restricts*  
24    *community college districts from confidently pursuing future*  
25    *academic programs, which could suffer if an unexpected drop in*  
26    *property tax revenue occurs.*

27    *SEC. 2. (a) On or before July 1, 2011, the Legislative Analyst's*  
28    *Office shall conduct a study that calculates both of the following:*

29    *(1) The amount of General Fund dollars allocated to the*  
30    *California Community Colleges for the 1989–90 to 2009–10 fiscal*  
31    *years, inclusive.*

32    *(2) The amount of property tax revenues allocated to the*  
33    *California Community Colleges for the 1989–90 to 2009–10 fiscal*  
34    *years, inclusive.*

35    *(b) Based on its findings, the study conducted pursuant to*  
36    *subdivision (a) shall analyze whether General Fund dollars or*  
37    *property tax revenues provide the most stable funding source for*  
38    *California Community Colleges.*

1     ~~SECTION 1. Section 97.24 is added to the Revenue and~~  
2     ~~Taxation Code, to read:~~

3     ~~97.24. (a) (1) Notwithstanding any other provision of this~~  
4     ~~chapter, commencing with the 2009–10 fiscal year, the amount of~~  
5     ~~property tax revenue allocated to each community college district,~~  
6     ~~except for those districts that in 2008–09 met the definition of an~~  
7     ~~“excess tax school entity” as defined in subdivision (n) of Section~~  
8     ~~95, shall not exceed the amount allocated in the 2008–09 fiscal~~  
9     ~~year, multiplied by 0.75.~~

10    ~~(2) The amount of property tax revenues not allocated to a~~  
11    ~~community college district as a result of this subdivision shall be~~  
12    ~~deposited in the county Educational Revenue Augmentation Fund~~  
13    ~~and allocated to school districts and county offices of education.~~

14    ~~(3) By December 12, 2009, a community college district that~~  
15    ~~was an excess tax school entity in the 2008–09 fiscal year shall~~  
16    ~~provide a written affirmative decision to the Department of Finance~~  
17    ~~to do either of the following:~~

18    ~~(A) Continue to retain its current distribution of property tax~~  
19    ~~revenues for the 2009–10 fiscal year, and each subsequent fiscal~~  
20    ~~year thereafter.~~

21    ~~(B) Agree to a distribution of property taxes for the district as~~  
22    ~~described in subdivision (a) of this section for the 2009–10 fiscal~~  
23    ~~year and each subsequent fiscal year.~~

24    ~~(b) (1) This section shall not be construed to increase any~~  
25    ~~allocations of excess, additional, or remaining funds that would~~  
26    ~~otherwise have been allocated to cities, counties, cities and~~  
27    ~~counties, or special districts pursuant to clause (i) of subparagraph~~  
28    ~~(B) of paragraph (4) of subdivision (d) of Section 97.2 of, clause~~  
29    ~~(i) of subparagraph (B) of paragraph (4) of subdivision (d) of~~  
30    ~~Section 97.3 of, or Article 4 (commencing with Section 98) had~~  
31    ~~this section not been enacted.~~

32    ~~(2) Notwithstanding any other law, no funds deposited in the~~  
33    ~~county Educational Revenue Augmentation Fund pursuant to~~  
34    ~~subdivision (a) shall be distributed to a community college district.~~